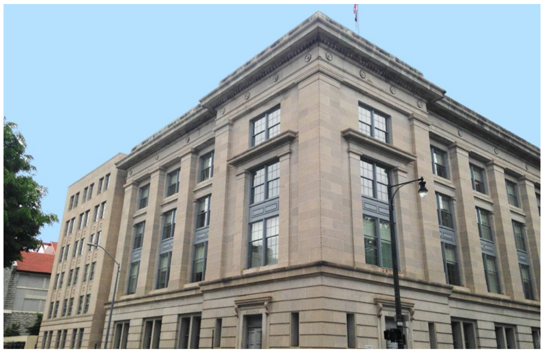
State of North Carolina

Office of The State Auditor

Beth A. Wood, CPA



Beaufort County Community College

Washington, North Carolina

Financial Statement Audit Report

For the Year Ended June 30, 2020

A Component Unit of the State of North Carolina

NCOSA

The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
Board of Trustees, Beaufort County Community College

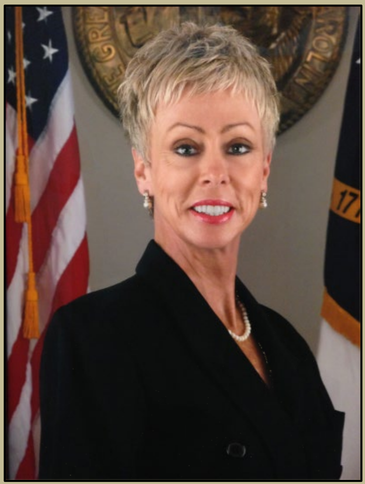
We have completed a financial statement audit of Beaufort County Community College for the year ended June 30, 2020, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

Beth A. Wood

Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

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Chapter 147, Article 5A of the *North Carolina General Statutes*, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.

INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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Raleigh, NC 27699-0600
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Beaufort County Community College
Washington, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Beaufort County Community College (College), a component unit of the State of North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Beaufort County Community College Foundation, Inc., which represent 12.2 percent and 2.7 percent, respectively, of the assets and revenues of the College. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Beaufort County Community College Foundation, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Beaufort County Community College, as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2021 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 29, 2021

Management's Discussion and Analysis

Beaufort County Community College (College) is one of the 58 community colleges in the North Carolina Community College System. The College's service area includes Beaufort, Hyde, Tyrrell, and Washington Counties. The College offers both curriculum and continuing education classes.

This section of Beaufort County Community College's financial statements presents Management's Discussion and Analysis of the College's financial activity during the fiscal year ended June 30, 2020. This section should be read in conjunction with the College's basic financial statements and the related notes.

Basic Financial Statements

The basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows. The financial statements are accompanied by Notes to the Financial Statements that explain some of the information in the financial statements and provides more detail. The College's component unit, Beaufort County Community College Foundation, Inc. (Foundation), is blended with the financial information of the College in the following financial statements.

Statement of Net Position: The Statement of Net Position presents a fiscal snapshot of the College as of June 30, 2020, and includes all assets, deferred outflows of resources, deferred inflows of resources, and liabilities of the College. Assets and liabilities are divided into their current and noncurrent portions to give the users of these statements insight into the financial position of the College.

Statement of Revenues, Expenses, and Changes in Net Position: Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. Revenues and expenses are presented in a classified format to distinguish between operating and nonoperating revenues and expenses.

Statement of Cash Flows: The Statement of Cash Flows provides detail on the cash activity for the year. The College uses the direct method to present cash flows.

Notes to the Financial Statements: The Notes provide additional information that is essential to a full understanding of the data provided.

For the fiscal year ended June 30, 2020, the College was impacted by COVID-19 but managed to have adequate cash flows from operations to meet all current obligations.

Condensed Financial Statements and Financial Analysis

This segment of the Management Discussion and Analysis gives information about the basic financial statements.

Analysis of the Statement of Net Position

Condensed Statement of Net Position
(in thousands)

	2020	2019 (As Restated)	Variance
Assets			
Current Assets	$ 2,783	$ 1,530	$ 1,253
Capital Assets, Net	20,266	17,829	2,437
Other Assets	3,293	3,067	226
Total Assets	26,342	22,426	3,916
Deferred Outflows of Resources	3,244	3,289	(45)
Liabilities			
Current Liabilities	2,145	938	1,207
Long-Term Liabilities	18,471	17,020	1,451
Total Liabilities	20,616	17,958	2,658
Deferred Inflows of Resources	5,604	7,185	(1,581)
Net Position			
Net Investment in Capital Assets	19,389	17,829	1,560
Restricted	4,236	3,124	1,112
Unrestricted	(20,259)	(20,381)	122
Total Net Position	$ 3,366	$ 572	$ 2,794

Current assets increased by $1.25 million due to an increase in restricted cash and cash equivalents from Coronavirus Aid, Relief, and Economic Security Act (CARES Act) federal grant funds received to aid the College and students during the COVID-19 pandemic that remained unspent at year end, as well as, increases in the TRIO grant. Current unrestricted cash and cash equivalents from county funds also increased due to an increase of $90 thousand in county appropriations during the year. The College also had a receivable of $200 thousand for a grant awarded by the Golden Leaf Foundation.

Capital assets increased by $2.44 million and is discussed in the Analysis of Capital Assets section below.

Other assets increased by $226 thousand. The increase was the result of an increase in cash and cash equivalents received from the Cannon Foundation for capital projects which remained unspent at year end and additions to endowments. Investments also increased from additions to endowments; however, the increase was offset due to unrealized losses on investments.

Current liabilities increased $1.21 million due mainly to construction invoices received but not paid prior to year end and an increase in unearned revenue due to CARES Act funds received but not yet expended at year end.

Long-term liabilities increased by $1.45 million from the prior year. This increase was primarily the result of a $1.15 million increase in the net other postemployment benefits (OPEB) liability for the Retiree Health Benefit Fund and an increase of $307 thousand in the net pension liability. These increases were the result of changes in the actuarial assumptions, differences between projected and actual investment earnings, and changes in the College's proportion of the liabilities. Additional information and requirements concerning the net pension and OPEB liabilities are provided in Notes 12 and 13 to the Financial Statements.

The deferred inflows related to OPEB decreased by $1.47 million and deferred outflows related to OPEB increased $613 thousand. The deferred inflows related to pensions decreased by $112 thousand and deferred outflows related to pensions decreased $659 thousand. These changes were caused by the same factors that increased the net pension and OPEB liabilities discussed above. Additional details for the deferred inflows/outflows of resources are available in the Notes to the Financial Statements 12 and 13.

Net position increased by $2.8 million from the prior year. The increase is due primarily to an increase in the net investment in capital assets and restricted net position. The net investment in capital assets increase is due to increases in construction in progress less the associated construction payables for the Emergency Services Training Complex. The increase in restricted net position is due primarily to increases in cash and cash equivalents for construction projects, increases in grants including TRIO and Golden Leaf, and additions to endowments.

Analysis of the Statement of Revenues, Expenses, and Changes in Net Position

Analysis of Operating Revenues
(in thousands)

	2020	2019 (As Restated)	Variance
Operating Revenues			
Student Tuition and Fees, Net	$ 903	$ 843	$ 60
Sales and Services	73	298	(225)
Other	-	1	(1)
Total Operating Revenues	$ 976	$ 1,142	$ (166)

Total operating revenue showed a decrease of $166 thousand. An increase in student population is the primary reason for the $60 thousand increase to student tuition and fees. The decrease of $225 thousand in sales and services revenues is a result of the bookstore no longer being operated by the College, but by an independent company.

Analysis of Operating Expenses
(in thousands)

	2020	2019 (As Restated)	Variance
Operating Expenses			
Salaries and Benefits	$ 11,702	$ 10,975	$ 727
Supplies and Materials	1,175	1,510	(335)
Services	1,444	1,763	(319)
Scholarships and Fellowships	2,090	1,570	520
Utilities	374	464	(90)
Depreciation	827	902	(75)
Total Operating Expenses	$ 17,612	$ 17,184	$ 428

Operating expenses increased $428 thousand. Salaries and benefits increased $727 thousand due to an increase in full-time positions during the year as well as an increase of $711 thousand in pension expense. Supplies and materials, and services decreased as a result of transitioning to online classes in response to the COVID-19 pandemic resulting in lower operating costs overall along with a concerted effort to reduce costs by all departments. Scholarships and fellowships increased by $520 thousand as a result of increased Pell grants, increased TRIO grants and COVID-19 related funds received by the College to provide aid for students during the COVID-19 pandemic. Utilities expense decreased by $90 thousand as a result of transitioning to online classes in response to the COVID-19 pandemic.

Analysis of Nonoperating and Other Revenues and Expenses
(in thousands)

	2020	2019 (As Restated)	Variance
Nonoperating and Other Revenues and (Expenses)			
State Aid	$ 9,677	$ 9,314	$ 363
County Appropriations	2,697	2,607	90
State Capital Aid	2,761	173	2,588
County Capital Aid	240	246	(6)
Grants and Contributions	3,984	3,143	841
Additions to Endowments	216	49	167
Other	(145)	205	(350)
Total Nonoperating and Other Revenues	$ 19,430	$ 15,737	$ 3,693

Nonoperating revenues and expenses and other revenues increased by $3.69 million. State aid increased $363 thousand due to an increase in enrollment in the prior year. The College is funded based on the higher of the previous year actual enrollment or a two-year average of actual enrollment. State capital aid increased by $2.59 million largely due to capital improvement revenue from the NC Connect Bond totaling $2.35 million for new construction projects. Grants and contributions increased by $841 thousand due to COVID-19 federal grant funds of $222 thousand, a Golden Leaf Foundation award of $200 thousand, and additional TRIO grant awards of $194 thousand. Other nonoperating revenues and expenses decreased by $350 thousand. This decrease is primarily due to a decline in net investment income due to unrealized losses incurred during the current year and the loss on disposal of fixed assets.

Analysis of Change in Net Position
(in thousands)

	2020	2019 (As Restated)	Variance
Revenues			
Operating Revenues	$ 976	$ 1,142	$ (166)
Nonoperating and Other Revenues	19,575	15,737	3,838
Total Revenues	20,551	16,879	3,672
Total Expenses	17,757	17,184	573
Increase/(Decrease) in Net Position	2,794	(305)	3,099
Net Position, July 1	572	877	(305)
Net Position, June 30	$ 3,366	$ 572	$ 2,794

Analysis of Capital Assets, Net

Capital Assets
(in thousands)

	2020	2019 (As Restated)	Variance
Capital Assets, Net			
Land	$ 574	$ 574	$ -
Construction in Progress	3,452	239	3,213
Buildings	13,174	13,637	(463)
Machinery and Equipment	2,202	2,479	(277)
General Infrastructure	864	900	(36)
Total Capital Assets, Net	$ 20,266	$ 17,829	$ 2,437

Capital Assets increased by $2.44 million during fiscal year 2020 due to $3.21 million in construction for the Emergency Services Training Complex, offset by annual depreciation of the College's capital assets of $828 thousand.

Analysis of the Overall Financial Position

Beaufort County Community College is well positioned to meet the needs of its growing community. The College strives to maintain a strong financial base and will continue to be an asset to its service area for many years.

Future Financial Influences

The College's financial position continues to be affected by various funding issues, most notably the COVID-19 pandemic. The College will receive additional federal and state funding to help offset the additional cost to operate in a COVID-19 environment.

The College received $347 thousand from the CARES Act to support student scholarships which will provide funding for students that might not otherwise be able to attend college due to the economic impact of COVID-19 on their or their parents' employment status. The College received $347 thousand from the federal CARES Act to support converting to online classes, provide personal protective equipment, and sanitation solutions for those classes that require hands on training.

The State provided $52 thousand to the Small Business Center to support local businesses in our service area in reopening during and after COVID-19. The State provided $33 thousand for additional college career counselors and $29 thousand for virtual tutoring to assist students with learning in an online environment.

Beaufort County continues to provide financial support for the College. The overall county budget provided to the College for next fiscal year will remain flat when compared to last year's appropriations. This is significant given the current uncertainty of what the lasting effects of COVID-19 will have on the county budget.

The College is in the end-stages of executing the $6.5 million NC Connect Bond funds to construct an Emergency Services Training Complex. The complex will provide the College with the ability to not only better serve students in our service area but also surrounding local and state agencies, including law enforcement, fire departments, and emergency medical services. The facility will also provide the opportunity to earn additional full-time equivalents (FTE) in truck driving and institutional funds in motorcycle training. The complex is scheduled to be completed during fiscal year end 2021.

There is a good probability that state funding will increase for fiscal year 2020. The North Carolina Community College System (NCCCS) uses a past two year rolling average to calculate current year funding. While decline in community college curriculum enrollment across the State continues to provide some uncertainty for the amount of state funding, the College's curriculum FTE percentages showed positive growth in the 2019 summer and fall semesters, which will result in increased funding through the NCCCS formula budget process. While COVID-19 had a limited effect on spring 2020, the College's FTE in curriculum courses has increased by approximately 3.0% as compared to the previous fiscal year due to both economic influences and increased efforts in marketing. These combined factors could still produce an increase of available state funds by approximately $200 thousand to $300 thousand in the next fiscal year.

The College President continues to develop and refine strategies to increase enrollment by strengthening our high school recruitment programs and restructuring the marketing programs to better connect with the target audiences in the service area. Continuing education has potential for FTE growth due to a robust engagement effort within the four-county service area. Continuing education's enrollment increased by approximately 5% compared to the previous year. The marketing efforts in both divisions over the next year could potentially bring another 3% to 4% in estimated FTE growth in the next fiscal. The College President continues to review course relevancy, amend staffing levels, and balance funding priorities to provide adequate support to both curriculum and continuing education. This strategy will ensure a mutual supporting effort to increase earning potential for the entire College.

The College's service area is the largest in the State and includes Beaufort, Hyde, Tyrrell, and Washington Counties. Unemployment rates in this mostly rural area continue to affect enrollment. Based on North Carolina Department of Commerce July 2020 statistics, the most recent figures have North Carolina's unemployment rate at 8.9%, as compared to the national average of 8.5%, both unadjusted for seasonal employment. North Carolina's unemployment rate has shown an increase of 4.5% over the last year which is mostly related to COVID-19's impact on the economy. This may result in an upward trend of Statewide Curriculum enrollment over the next several years depending on the duration of the continued restrictions for businesses to operate at full capacity. Some businesses may not recover from the COVID-19 event, which may leave employees searching for updated skillsets.

The unemployment numbers in the College's service area have shown a similar increase over the past year and are in line with State and national averages. Statistics show Washington at 9.2%, Hyde at 9.3% with Tyrrell and Beaufort at 8.2% and 7.7%, respectively. Generally, as the economy declines, curriculum enrollment increases while at the same time continuing education enrollment decreases. Based on the upward unemployment trends, enrollment projections in the College's service area over the next few years should indicate a possible flat to small increase in curriculum and a decline in continuing education. However, COVID-19 may skew normal trends as some students may not want online learning or may choose not to participate in on campus labs. While summer 2020 enrollment rates were flat, fall enrollment showed a 17 to 20% decline in enrollment. This trend is affecting other colleges in the region in a similar manner. Depending on the State level recovery and revenues collected into the State treasury, this may cause decreased budget projections for the College in the $500 thousand to $900 thousand range for both 2021 and 2022. Targeted marketing and improvements in distance learning capabilities may mitigate this trend by positively increasing market share in the four-county region. Given the rural nature of the College's service area it is unlikely for the area to match State level economic recovery of employment rates. Both curriculum and continuing education enrollment levels should stabilize as the local economy begins recovery.

Population analyses over the next ten years are another factor that will influence enrollment projections at the College. According to the North Carolina Office of State Budget and Management's 2020 to 2029 population projections, the total population of Hyde and Washington Counties will decline by 4.0% and 6.2%, respectively, while the total population of Beaufort will decline by 0.2% and Tyrrell County will remain steady near current levels. The Hispanic population is projected to grow an average of 20% over the four-county region. The population trends will affect the level of market availability in terms of high school students. Over the next 5 years, the graduating class size in Beaufort County will decline by 4.4% and will continue to decline. Tyrrell County will increase by 20.0% while Washington and Hyde Counties will increase by 12.2% and 4.0%, respectively. However, these three counties will return to current levels beyond the five-year projections. This analysis indicates increased market availability over the next few years but eventual flattening by the end of the five-year projections. The College will need to continually adjust the marketing strategies to maintain or increase market share regarding high school students.

Transportation and access to training facilities in these rural areas are inhibitors to obtaining an education at a reasonable cost. To provide better opportunities for potential students, the College in conjunction with the separate county governments, has established training centers in Hyde and Washington Counties. The College is working with Tyrrell County to open a new center in the near future. The College continues to expand online course offerings which can potentially increase the market share in the assigned service area and areas where the College traditionally could not expand. While the College cannot market outside the designated service area, students are not bound by the same restrictions and can seek education opportunities at institutions of their choosing. Providing both local training facilities and online courses not only helps students in these rural areas but also provides potential FTE growth for the College.

Grants provide a major opportunity for the College to seek alternate funding for many different projects not provided for in the County or State funding streams. The College's grant writer has been very conscientious in searching for grants to support the mission of the College. The outlook for grants in the next fiscal year is promising. The College has already secured several grants and is currently working on several others. These grants will provide additional equipment and upgraded facilities to better serve business and industry needs by providing a work force ready to meet the challenges of today's global economy. This will result in increased student enrollment in both curriculum and continuing education and in turn improve state FTE funding in future years. Some of the grants include: the Golden Leaf grant; the Federal Skills grant; the Carl D. Perkins Federal grant; and the Student Support Services (TRIO) grant. The efforts in obtaining grants help support requests from local communities and industry to provide a quality workforce which has the potential to increase economic development engagements in the service area. These funds also provide the College with the means to generate additional FTE in both curriculum and continuing education.

Community colleges continue to be an affordable option for local communities. Both students and local industry have access to quality education and training at reasonable costs. Continued emphases on operating cost reduction and targeted marketing, while providing for local industry needs, will stabilize enrollment in the College over the next several years.

Contacting the College's Financial Management

Our financial statements are designed to provide the citizens of North Carolina with a general overview of the College's finances and show accountability of all funds received. If you have any questions or need additional financial information, please contact Beaufort County Community College at (252) 940-6248.

Financial Statements

Beaufort County Community College
Statement of Net Position
June 30, 2020

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	842,124.84
Restricted Cash and Cash Equivalents		1,556,173.12
Receivables, Net (Note 5)		94,214.97
Due from State of North Carolina Component Unit		200,000.00
Inventories		90,009.74
Total Current Assets		2,782,522.67
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		195,180.05
Restricted Due from Primary Government		1,398.77
Restricted Investments		2,895,926.03
Other Investments		182,795.92
Net Other Postemployment Benefits Asset		18,227.00
Capital Assets - Nondepreciable (Note 6)		4,025,342.42
Capital Assets - Depreciable, Net (Note 6)		16,240,309.55
Total Noncurrent Assets		23,559,179.74
Total Assets		26,341,702.41
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		2,055,385.00
Deferred Outflows Related to Other Postemployment Benefits (Note 13)		1,188,396.00
Total Deferred Outflows of Resources		3,243,781.00
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 7)		1,363,758.75
Unearned Revenue		541,225.22
Funds Held for Others		44,173.08
Long-Term Liabilities - Current Portion (Note 8)		196,097.69
Total Current Liabilities		2,145,254.74
Noncurrent Liabilities:		
Long-Term Liabilities (Note 8)		18,470,264.22
Total Liabilities		20,615,518.96
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions		106,954.00
Deferred Inflows Related to Other Postemployment Benefits (Note 13)		5,497,497.00
Total Deferred Inflows of Resources		5,604,451.00

Beaufort County Community College
Statement of Net Position — *Exhibit A-1*
June 30, 2020 — *Page 2 of 2*

NET POSITION	
Net Investment in Capital Assets	19,388,802.59
Restricted:	
Nonexpendable	
Scholarships and Fellowships	2,439,731.44
Expendable	
Scholarships and Fellowships	927,833.44
Loans	1,623.35
Restricted for Specific Programs	646,312.01
Capital Projects	156,205.45
Other	64,257.65
Unrestricted	(20,259,252.48)
Total Net Position	$ 3,365,513.45

The accompanying notes to the financial statements are an integral part of this statement.

Beaufort County Community College
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2020

Exhibit A-2

OPERATING REVENUES	
Student Tuition and Fees, Net (Note 10)	$ 903,240.87
Sales and Services	72,661.54
Other Operating Revenues	428.88
Total Operating Revenues	976,331.29
OPERATING EXPENSES	
Salaries and Benefits	11,701,828.66
Supplies and Materials	1,174,510.90
Services	1,443,836.04
Scholarships and Fellowships	2,090,325.63
Utilities	373,773.16
Depreciation	827,524.75
Total Operating Expenses	17,611,799.14
Operating Loss	(16,635,467.85)
NONOPERATING REVENUES (EXPENSES)	
State Aid	9,676,858.96
County Appropriations	2,697,118.00
Student Financial Aid	2,692,976.10
Federal Aid - COVID-19	222,384.53
Noncapital Contributions	936,415.30
Investment Loss	(71,733.92)
Other Nonoperating Expenses	(73,110.59)
Net Nonoperating Revenues	16,080,908.38
Loss Before Other Revenues	(554,559.47)
State Capital Aid	2,761,226.34
County Capital Aid	240,000.00
Capital Contributions	131,711.13
Additions to Endowments	215,746.78
Total Other Revenues	3,348,684.25
Increase in Net Position	2,794,124.78
NET POSITION	
Net Position - July 1, 2019, as Restated (Note 19)	571,388.67
Net Position - June 30, 2020	$ 3,365,513.45

The accompanying notes to the financial statements are an integral part of this statement.

Beaufort County Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 939,248.13
Payments to Employees and Fringe Benefits	(11,895,364.08)
Payments to Vendors and Suppliers	(2,980,861.93)
Payments for Scholarships and Fellowships	(2,053,577.16)
Other Receipts	15,302.22
Net Cash Used by Operating Activities	(15,975,252.82)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid	9,676,858.96
County Appropriations	2,697,118.00
Student Financial Aid	2,692,976.10
Federal Aid - COVID-19	695,419.00
Noncapital Contributions	740,498.29
Additions to Endowments	26,435.56
Cash Provided by Noncapital Financing Activities	16,529,305.91
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES	
State Capital Aid	2,761,226.34
County Capital Aid	240,000.00
Capital Contributions	131,711.13
Acquisition and Construction of Capital Assets	(2,474,037.15)
Net Cash Provided by Capital Financing and Related Financing Activities	658,900.32
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	1,963,146.16
Investment Income	164,777.51
Purchase of Investments and Related Fees	(2,057,529.08)
Net Cash Provided by Investing Activities	70,394.59
Net Increase in Cash and Cash Equivalents	1,283,348.00
Cash and Cash Equivalents - July 1, 2019	1,310,130.01
Cash and Cash Equivalents - June 30, 2020	$ 2,593,478.01

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$ (16,635,467.85)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	827,524.75
Other Nonoperating Income	13,433.81
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	2,840.65
Inventories	49,263.09
Net Other Postemployment Benefits Asset	(5,654.00)
Deferred Outflows Related to Pensions	658,609.00
Deferred Outflows Related to Other Postemployment Benefits	(613,166.00)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	(138,779.63)
Unearned Revenue	(3,175.34)
Funds Held for Others	1,868.41
Net Pension Liability	306,992.00
Net Other Postemployment Benefits Liability	1,149,680.00
Compensated Absences	(9,013.71)
Deferred Inflows Related to Pensions	(111,801.00)
Deferred Inflows Related to Other Postemployment Benefits	(1,468,407.00)
Net Cash Used by Operating Activities	$ (15,975,252.82)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	$ 876,849.38
Assets Acquired through a Gift	189,311.22
Change in Fair Value of Investments	(223,013.72)
Loss on Disposal of Capital Assets	(86,544.40)
Increase in Receivables Related to Nonoperating Income	200,000.00

The accompanying notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. **Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Beaufort County Community College (College) is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds of the College and its component unit for which the College's Board of Trustees is financially accountable. The College's component unit is blended in the College's financial statements. See below for further discussion of the College's component unit. Other related foundations and similar nonprofit corporations for which the College is not financially accountable are not part of the accompanying financial statements.

Blended Component Unit - Although legally separate, Beaufort County Community College Foundation, Inc. (Foundation) is reported as if it was part of the College. The Foundation is governed by a 26-member board consisting of three ex officio directors and 23 elected directors. The Foundation's purpose is to aid, support, and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the College. Because the elected directors of the Foundation are appointed by the members of the Beaufort County Community College Board of Trustees and the Foundation's sole purpose is to benefit Beaufort County Community College, its financial statements have been blended with those of the College.

Separate financial statements for the Foundation may be obtained from the College Controller's Office, Beaufort County Community College, Business Office, 5337 Highway 264 East, Washington, NC 27889 or by calling (252) 940-6248.

Condensed combining information regarding the blended component unit is provided in Note 17.

B. **Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB.

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, the full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

C. **Basis of Accounting** - The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Nonexchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange, include state aid, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

D. **Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

E. **Investments** - To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding the fair value measurement of investments is disclosed in Note 3. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net change in the value of investments is recognized as a component of investment income.

F. **Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.

G. **Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method. Merchandise for resale is valued at the lower of cost or market using the retail inventory method.

H. **Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs.

The College capitalizes assets that have a value or cost of $5,000 or greater at the date of acquisition and an estimated useful life of more than one year.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets in the following manner:

Asset Class	Estimated Useful Life
Buildings	10-50 years
Machinery and Equipment	2-25 years
General Infrastructure	10-50 years

I. **Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources whose use is limited by external parties or statute, and endowment and other restricted investments.

J. **Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include compensated absences, net pension liability, and net other postemployment benefits (OPEB) liability that will not be paid within the next fiscal year.

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2019 *Comprehensive Annual Financial Report.* This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 12 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the College's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2019 *Comprehensive Annual Financial Report*. This liability represents the College's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 13 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

K. **Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

There is no liability for unpaid accumulated sick leave because the College has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

L. Deferred Outflows/Inflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

M. Net Position - The College's net position is classified as follows:

Net Investment in Capital Assets - This represents the College's total investment in capital assets, net of outstanding liabilities related to those capital assets.

Restricted Net Position - Nonexpendable - Nonexpendable restricted net position includes endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.

Restricted Net Position - Expendable - Expendable restricted net position includes resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Position - Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income. It also includes the net position of accrued employee benefits such as compensated absences, pension plans, and other postemployment benefits.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources. See Note 9 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

N. **Scholarship Discounts** - Student tuition and fees revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

O. **Revenue and Expense Recognition** - The College classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, and (3) certain federal, state, and local grants and contracts. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

P. **County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriations and county capital appropriations do not revert and are available for future use by the College.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. **Deposits** - The College is required by *North Carolina General Statute* 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank, savings and loan association, or trust company whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. Cash on hand at June 30, 2020 was $1,175.00. The carrying amount of the College's deposits not with the State Treasurer was $467,298.18 and the bank balance was $520,947.67.

The North Carolina Administrative Code (20 NCAC 7) requires all depositories to collateralize public deposits in excess of federal depository insurance coverage by using one of two methods, dedicated or pooled. Under the dedicated method, a separate escrow account is established by each depository in the name of each local governmental unit and the responsibility of monitoring collateralization rests with the local unit. Under the pooling method, each depository establishes an escrow account in the name of the State Treasurer to secure all of its public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer.

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2020, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

B. Investments - The College is authorized to invest idle funds as provided by G.S. 115D-58.6. In accordance with this statute, the College and the Board of Trustees manage investments to ensure they can be converted into cash when needed.

Generally, funds belonging to the College may be invested in any form of investment established or managed by certain investment advisors pursuant to G.S. 115D-58.6(d1) or in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3 (STIF); obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings; specified bills of exchange; certain savings certificates; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity of custodian.

At June 30, 2020, the amount shown on the Statement of Net Position as cash and cash equivalents includes $2,125,004.83, which represents the

College's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.3 years as of June 30, 2020. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at https://www.nctreasurer.com/ in the Audited Financial Statements section.

Except as specified by the donor, endowment funds belonging to the College may be invested pursuant to G.S. 147-69.2. This statute authorizes investments for special funds held by the State Treasurer and includes the following investments: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; certificates of deposit and other deposit accounts of specified financial institutions; prime quality commercial paper; asset-backed securities, bills of exchange or time drafts, and corporate bonds/notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments and obligations of certain entities with specified ratings.

Investments of the College's component unit, the Foundation, are subject to and restricted by G.S. 36E Uniform Prudent Management of Institutional Funds Act (UPMIFA) and any requirements placed on them by contract or donor agreements.

The following table presents the investments by type and investments subject to interest rate risk at June 30, 2020, for the College's investments. Interest rate risk is defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures - An Amendment of GASB Statement No. 3,* as the risk a government may face should interest rate variances affect the value of investments. The College's investment policy recommends that the investment committee avoid bunching the maturity dates of its investments. Additionally, the policy sets defined limit amounts for the types of investments to be held.

Investments

	Amount	Investment Maturities (in Years) Less Than 1	1 to 5	6 to 10	More than 10
Investment Type					
Debt Securities					
Debt Mutual Funds	$ 1,826,439.12	$ -	$ 549,758.18	$ 614,779.41	$ 661,901.35
Money Market Mutual Funds	11,298.73	11,298.73	-	-	-
Total Debt Securities	1,837,737.85	$ 11,298.73	$ 549,758.18	$ 614,779.41	$ 661,901.35
Other Securities					
International Mutual Funds	93,161.90				
Equity Mutual Funds	1,147,822.20				
Total Investments	$ 3,078,721.95				

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's investment policy lists authorized investment categories and defines quality limit amounts. The policy states that mutual shares must be registered with the SEC and its investments must be registered to those that conform to regulations. As of June 30, 2020, the College's investments were rated as follows:

	Amount	AAA Aaa	AA Aa	A	BBB Baa	BB/Ba and below	Unrated
Debt Mutual Funds	$ 1,826,439.12	$ 918,698.88	$ 54,245.24	$ 197,986.00	$ 298,805.44	$ 310,494.65	$ 46,208.91
Money Market Mutual Funds	11,298.73	11,298.73	-	-	-	-	-
Totals	$ 1,837,737.85	$ 929,997.61	$ 54,245.24	$ 197,986.00	$ 298,805.44	$ 310,494.65	$ 46,208.91

Rating Agency: Morningstar

NOTE 3 - FAIR VALUE MEASUREMENTS

To the extent available, the College's investments are recorded at fair value as of June 30, 2020. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1	Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
Level 2	Investments with inputs - other than quoted prices included within Level 1 - that are observable for an asset either directly or indirectly.
Level 3	Investments classified as Level 3 have unobservable inputs and may require a degree of professional judgment.

The following table summarizes the College's investments, including the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2020:

		Fair Value Measurements Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Debt Securities				
Debt Mutual Funds	$ 1,826,439.12	$ 1,826,439.12	$ -	$ -
Money Market Mutual Funds	11,298.73	11,298.73	-	-
Total Debt Securities	1,837,737.85	1,837,737.85	-	-
Other Securities				
International Mutual Funds	93,161.90	93,161.90	-	-
Equity Mutual Funds	1,147,822.20	1,147,822.20	-	-
Total Investments by Fair Value Level	3,078,721.95	$ 3,078,721.95	$ -	$ -
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	2,125,004.83			
Total Investments Measured at Fair Value	$ 5,203,726.78			

Short-Term Investment Fund - Ownership interests of the STIF are determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB 72. The College's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

Debt and Equity Securities - Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

NOTE 4 - ENDOWMENT INVESTMENTS

Investments of the College's endowment funds are pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds. Under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), authorized by the North Carolina General Assembly on March 19, 2009, the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements. However, a majority of the College's endowment donor agreements prohibit spending of nonexpendable balances and therefore the related nonexpendable balances are not eligible for expenditure.

Investment return of the College's endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the College's endowment funds are based on an adopted spending policy which limits spending to 80% of the prior year interest earning unless the donor has stipulated otherwise. At June 30, 2020, net appreciation of $417,096.33 was available to be spent, all of which was classified in net position as expendable for scholarships and fellowships as it is restricted for specific purposes.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2020, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 176,797.71	$ 123,984.87	$ 52,812.84
Student Sponsors	25,865.98	-	25,865.98
Intergovernmental	10,596.25	-	10,596.25
Other	4,939.90	-	4,939.90
Total Current Receivables	$ 218,199.84	$ 123,984.87	$ 94,214.97

NOTE 6 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2020, is presented as follows:

	Balance July 1, 2019 (as Restated)	Increases	Decreases	Balance June 30, 2020
Capital Assets, Nondepreciable:				
Land	$ 573,899.72	$ -	$ -	$ 573,899.72
Construction in Progress	238,958.68	3,212,484.02	-	3,451,442.70
Total Capital Assets, Nondepreciable	812,858.40	3,212,484.02	-	4,025,342.42
Capital Assets, Depreciable:				
Buildings	23,050,340.29	-	-	23,050,340.29
Machinery and Equipment	5,621,554.56	138,402.51	236,276.79	5,523,680.28
General Infrastructure	1,584,304.51	-	-	1,584,304.51
Total Capital Assets, Depreciable	30,256,199.36	138,402.51	236,276.79	30,158,325.08
Less Accumulated Depreciation for:				
Buildings	9,413,698.86	462,941.16	-	9,876,640.02
Machinery and Equipment	3,142,529.04	328,564.63	149,732.39	3,321,361.28
General Infrastructure	683,995.27	36,018.96	-	720,014.23
Total Accumulated Depreciation	13,240,223.17	827,524.75	149,732.39	13,918,015.53
Total Capital Assets, Depreciable, Net	17,015,976.19	(689,122.24)	86,544.40	16,240,309.55
Capital Assets, Net	$ 17,828,834.59	$ 2,523,361.78	$ 86,544.40	$ 20,265,651.97

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2020, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 64,543.23
Accounts Payable - Capital Assets	720,475.51
Accrued Payroll	422,366.14
Contract Retainage	156,373.87
Total Current Accounts Payable and Accrued Liabilities	$ 1,363,758.75

NOTE 8 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2020, is presented as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion
Compensated Absences	$ 721,836.62	$ 478,866.37	$ 487,880.08	$ 712,822.91	$ 196,097.69
Net Pension Liability	4,751,046.00	306,992.00	-	5,058,038.00	-
Net Other Postemployment Benefits Liability	11,745,821.00	1,149,680.00	-	12,895,501.00	-
Total Long-Term Liabilities	$ 17,218,703.62	$ 1,935,538.37	$ 487,880.08	$ 18,666,361.91	$ 196,097.69

Additional information regarding the net pension liability is included in Note 12.
Additional information regarding the net other postemployment benefits liability is included in Note 13.

NOTE 9 - NET POSITION

Unrestricted net position has been significantly affected by transactions resulting from the recognition of deferred outflows of resources, deferred inflows of resources, and related long-term liabilities, as shown in the following table:

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	$ (3,109,607.00)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(17,235,180.00)
Effect on Unrestricted Net Position	(20,344,787.00)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	85,534.52
Total Unrestricted Net Position	$ (20,259,252.48)

See Notes 12 and 13 for detailed information regarding the amortization of the deferred outflows of resources and deferred inflows of resources relating to pensions and OPEB, respectively.

NOTE 10 - REVENUES

A summary of discounts and allowances by revenue classification is presented as follows:

	Gross Revenues	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	$ 1,772,902.52	$ 864,080.93	$ 5,580.72	$ 903,240.87

NOTE 11 - OPERATING EXPENSES BY FUNCTION

The College's operating expenses by functional classification are presented as follows:

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	$ 5,308,524.79	$ 554,325.79	$ 275,516.31	$ -	$ -	$ -	$ 6,138,366.89
Academic Support	1,602,760.30	228,380.14	139,113.79	-	-	-	1,970,254.23
Student Services	1,028,050.97	16,710.13	65,462.56	-	-	-	1,110,223.66
Institutional Support	2,291,659.26	86,830.72	476,358.36	-	-	-	2,854,848.34
Operations and Maintenance of Plant	1,132,984.67	210,408.23	388,841.10	-	373,773.16	-	2,106,007.16
Student Financial Aid	319,585.47	74,827.24	58,203.03	2,090,325.63	-	-	2,542,941.37
Auxiliary Enterprises	18,263.20	3,028.65	40,340.89	-	-	-	61,632.74
Depreciation	-	-	-	-	-	827,524.75	827,524.75
Total Operating Expenses	$ 11,701,828.66	$ 1,174,510.90	$ 1,443,836.04	$ 2,090,325.63	$ 373,773.16	$ 827,524.75	$ 17,611,799.14

Included in the scholarship and fellowship function are student financial aid operating expenses for emergency financial aid payments to eligible students. These payments are for expenses related to the disruption of campus operations due to the coronavirus of $219,283.09 provided by the CARES Act - Higher Education Emergency Relief Fund (HEERF). Because of the administrative involvement by the College in providing the student awards, the related program activity is reported as nonoperating Federal Aid - COVID-19 revenue and student financial aid operating expenses. Since the purpose of the student aid is not for educational or scholarship purposes, they do not affect the scholarship discounting adjustments reported in Note 10.

NOTE 12 - PENSION PLANS

Defined Benefit Plan

Plan Administration: The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The College's contractually-required contribution rate for the year ended June 30, 2020 was 12.97% of covered payroll. Employee contributions to the pension plan were $437,098.17, and the College's contributions were $944,860.54 for the year ended June 30, 2020.

The TSERS plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2019 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at https://www.osc.nc.gov/ or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

TSERS Basis of Accounting: The financial statements of the TSERS plan were prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the TSERS plan, and additions to/deductions from the TSERS plan's fiduciary net position have been determined on the same basis as they are reported by TSERS.

Methods Used to Value TSERS Investment: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina are the sole participants in the Long-Term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment Portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment Portfolios. The Global Equity Asset Class includes the Equity Investment Portfolio. The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2019 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2020, the College reported a liability of $5,058,038.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, and update procedures were used to roll forward the total pension liability to June 30, 2019. The College's proportion of the net pension liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2019, the College's proportion was 0.04879%, which was an increase of 0.00107 from its proportion measured as of June 30, 2018, which was 0.04772%.

Actuarial Assumptions: The following table presents the actuarial assumptions used to determine the total pension liability for the TSERS plan at the actuarial valuation date:

Valuation Date	12/31/2018
Inflation	3%
Salary Increases*	3.50% - 8.10%
Investment Rate of Return**	7.00%

* Salary increases include 3.5% inflation and productivity factor.

** Investment rate of return includes inflation assumption and is net of pension plan investment expense.

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S.

population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2018 valuations were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

Future ad hoc cost of living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Opportunistic Fixed Income	6.0%
Inflation Sensitive	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2019 is 1.4%.

Discount Rate: The discount rate used to measure the total pension liability was calculated at 7.00% for the December 31, 2018 valuation. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan at June 30, 2019 calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

Net Pension Liability		
1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
$ 9,626,854.00	$ 5,058,038.00	$ 1,225,384.00

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2020, the College recognized pension expense of $1,797,933.00. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions by Classification:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	$ 423,099.00	$ 10,126.00
Changes of Assumptions	538,954.00	-
Net Difference Between Projected and Actual Earnings on Plan Investments	96,955.00	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	51,516.46	96,828.00
Contributions Subsequent to the Measurement Date	944,860.54	-
Total	$ 2,055,385.00	$ 106,954.00

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Schedule of the Net Amount of the Employer's Balances of Deferred Outflows of Resources and Deferred Inflows of Resources That will be Recognized in Pension Expense:

Year Ended June 30:	Amount
2021	$ 702,103.00
2022	166,669.00
2023	100,883.00
2024	33,915.46
Total	$ 1,003,570.46

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

The College participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2019 *Comprehensive Annual Financial Report.* An electronic version of this report is available on the North Carolina Office of the State Controller's website at https://www.osc.gov/ or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

A. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: The financial statements of these plans were prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of each plan, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the plans.

Methods Used to Value Plan Investments: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the other postemployment benefits funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan of North Carolina is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2019 *Comprehensive Annual Financial Report.*

B. Plan Descriptions

1. Health Benefits

Plan Administration: The State of North Carolina administers the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Plan), a healthcare plan exclusively for the benefit of employees of the State, the University of North Carolina System, community colleges, and certain other component units. In addition, Local Education Agencies (LEAs), charter schools, and some select local governments that are not part of the State's financial reporting entity also participate. Health benefit programs and premium rates are determined by the State Treasurer upon approval of the Plan Board of Trustees.

The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of eligible former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

By statute, RHBF is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System (TSERS). RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the Plan. The State Treasurer, with the approval of the Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the Plan.

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 14. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan options or the self-funded Traditional 70/30 Preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of TSERS, the Consolidated Judicial Retirement System, the Legislative Retirement System, the Optional

Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the North Carolina General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the North Carolina General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium.

The Plan's and RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Bill. The College's contractually-required contribution rate for the year ended June 30, 2020 was 6.47% of covered payroll. The College's contributions to the RHBF were $471,337.53 for the year ended June 30, 2020.

2. Disability Income

Plan Administration: As discussed in Note 14, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer, defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units, LEAs which are not part of the reporting entity, and the ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing five years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of $3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than $10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the ORP.

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, during the first 36 months of the long-term disability period, the monthly long-term benefit shall be reduced by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee become age 62 during the first 36 months. This reduction becomes effective as of the first day of the month following the month of initial entitlement to Social Security benefits. After the first 36 months of the long-term disability, no further benefits are payable under the terms of this section unless the employee has been approved and is in receipt of primary Social Security disability benefits.

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the North Carolina General Assembly and coincide with the State's fiscal year. The College's contractually-required contribution rate for the year ended June 30, 2020 was 0.10% of covered payroll. The College's contributions to DIPNC were $7,284.97 for the year ended June 30, 2020.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2020, the College reported a liability of $12,895,501.00 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018, and update procedures were used to roll forward the total OPEB liability to June 30, 2019. The College's proportion of the net OPEB liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2019, the College's proportion was 0.04076%, which was a decrease of 0.00047 from its proportion measured as of June 30, 2018, which was 0.04123%.

Net OPEB Asset: At June 30, 2020, the College reported an asset of $18,227.00 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018, and update procedures were used to roll forward the total OPEB liability to June 30, 2019. The College's proportion of the net OPEB asset was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2019, the College's proportion was 0.04224%, which was an increase of 0.00085 from its proportion measured as of June 30, 2018, which was 0.04139%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2019 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N. C.
Valuation Date	12/31/2018	12/31/2018
Inflation	3.00%	3.00%
Salary Increases*	3.50% - 8.10%	3.50% - 8.10%
Investment Rate of Return**	7.00%	3.75%
Healthcare Cost Trend Rate - Medical	6.50% grading down to 5.00% by 2024	6.50% grading down to 5.00% by 2024
Healthcare Cost Trend Rate - Prescription Drug	9.50% grading down to 5.00% by 2028	9.50% grading down to 5.00% by 2028
Healthcare Cost Trend Rate - Medicare Advantage	6.50% grading down to 5.00% by 2024	N/A
Healthcare Cost Trend Rate - Administrative	3.00%	N/A

* Salary increases include 3.5% inflation and productivity factor.
** Investment rate of return is net of pension plan investment expense, including inflation.
N/A - Not Applicable

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The projected long-term investment returns and inflation assumptions are developed through a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projects are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2019.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2019 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Opportunistic Fixed Income	6.0%
Inflation Sensitive	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2019 is 1.4%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial assumptions used for RHBF are consistent with those used to value the pension benefits of TSERS where appropriate. These assumptions are based on the most recent pension valuations available. The discount rate used for RHBF reflects a pay-as-you-go approach.

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members to that point. Historically, the benefits funded solely by employer contributions applied equally to all retirees. Currently, as described earlier in the note, benefits are dependent on membership requirements.

The actuarial methods and assumptions used for DIPNC include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions used in the December 31, 2018 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2014, as amended for updates to certain assumptions (such as the long-term investment return, medical claims, and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 3.50%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.50% was used as the discount rate used to measure the total OPEB liability. The 3.50% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2019.

The discount rate used to measure the total OPEB liability for DIPNC was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate: The following presents the College's proportionate share of the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

Net OPEB Liability (Asset)

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
RHBF	$ 15,325,419.65	$ 12,895,501.00	$ 10,951,219.90
	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
DIPNC	$ (15,437.45)	$ (18,227.00)	$ (20,936.68)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

Net OPEB Liability (Asset)

	1% Decrease (Medical - 4.00% - 5.50%, Pharmacy - 4.00% - 8.50%, Med. Advantage - 4.00% - 5.50%, Administrative - 2.00%)	Current Healthcare Cost Trend Rates (Medical - 5.00% - 6.50%, Pharmacy - 5.00% - 9.50%, Med. Advantage - 5.00% - 6.50%, Administrative - 3.00%)	1% Increase (Medical - 6.00% - 7.50%, Pharmacy - 6.00% - 10.50%, Med. Advantage - 6.00% - 7.50%, Administrative - 4.00%)
RHBF	$ 10,619,094.79	$ 12,895,501.00	$ 15,890,376.08
	1% Decrease (Medical - 4.00% - 5.50%, Pharmacy - 4.00% - 8.50%)	Current Healthcare Cost Trend Rates (Medical - 5.00% - 6.50%, Pharmacy - 5.00% - 9.50%)	1% Increase (Medical - 6.00% - 7.50%, Pharmacy - 6.00% - 10.50%)
DIPNC	$ (18,258.66)	$ (18,227.00)	$ (18,196.57)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2020, the College recognized OPEB contra-expense of $477,480.00 for RHBF and expense of $18,555.00 for

DIPNC, resulting in a total OPEB contra-expense of $458,925.00. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Employer Balances of Deferred Outflows of Resources Related to OPEB by Classification:

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ -	$ 18,620.00	$ 18,620.00
Changes of Assumptions	619,819.00	2,019.00	621,838.00
Net Difference Between Projected and Actual Earnings on Plan Investments	8,587.00	3,472.00	12,059.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	55,240.47	2,016.03	57,256.50
Contributions Subsequent to the Measurement Date	471,337.53	7,284.97	478,622.50
Total	$ 1,154,984.00	$ 33,412.00	$ 1,188,396.00

Employer Balances of Deferred Inflows of Resources Related to OPEB by Classification:

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 650,096.00	$ -	$ 650,096.00
Changes of Assumptions	3,876,953.00	1,870.00	3,878,823.00
Net Difference Between Projected and Actual Earnings on Plan Investments	-	-	-
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	967,614.00	964.00	968,578.00
Total	$ 5,494,663.00	$ 2,834.00	$ 5,497,497.00

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability related to RHBF and an increase of the net OPEB asset related to DIPNC in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Schedule of the Net Amount of the Employer's Balances of Deferred Outflows of Resources and Deferred Inflows of Resources That will be Recognized in OPEB Expense:

Year Ended June 30:	RHBF	DIPNC
2021	$ (1,522,339.00)	$ 8,654.00
2022	(1,522,339.00)	5,330.00
2023	(1,521,097.00)	3,917.00
2024	(326,158.00)	2,480.00
2025	80,916.47	3,392.00
Thereafter	-	(479.97)
Total	$ (4,811,016.53)	$ 23,293.03

NOTE 14 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in state-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

A. Public Entity Risk Pool

Public School Insurance Fund

Fire and other property losses are covered by the Public School Insurance Fund (Fund), a state-administered public entity risk pool. The Fund is financed by premiums and interest collected through membership participation and retains a $10,000,000 deductible per occurrence. Reinsurance is purchased by the Fund to cover catastrophic events in excess of the $10,000,000 deductible. Membership insured property is covered under an all risk coverage contract. Building and contents are valued under a replacement cost basis. No coinsurance penalties apply. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

B. Employee Benefit Plans

1. State Health Plan

College employees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer contributions. Certain plans also require contributions from employees. The Plan has contracted with third parties to process claims. See Note 13, Other Postemployment Benefits, for additional information regarding retiree health benefits.

2. Death Benefit Plan of North Carolina

Term life insurance (death benefits) of $25,000 to $50,000 is provided to eligible workers who enroll in the Teachers’ and State Employees’ Retirement System. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was 0.16% for the current fiscal year.

3. Disability Income Plan

Short-term and long-term disability benefits are provided to College employees through the Disability Income Plan of North Carolina (DIPNC), part of the State’s Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the College up to the first six months of benefits and reimbursed by DIPNC for any additional short-term benefits. As discussed in Note 13, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

C. Other Risk Management and Insurance Activities

1. Automobile Insurance

State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are $1,000,000 per claim and $10,000,000 per occurrence. The College pays premiums to the North Carolina Department of Insurance for the coverage. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

2. Public Officers’ and Employees’ Liability Insurance

The risk of tort claims of up to $1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers’ and employees’ liability insurance up to $2,000,000 per claim and $10,000,000 in the aggregate per fiscal year via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from state funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. The North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is $5,000,000 per occurrence. The private insurance company pays 90% of each loss less a $100,000 deductible. Employee dishonesty and computer fraud losses for county employees are paid from county funds. These funds are covered by contracts with private insurance companies.

4. Statewide Workers' Compensation Program

The State Board of Community Colleges makes the necessary arrangements to carry out the provisions of the Workers' Compensation Act which are applicable to employees whose wages are paid in whole or in part from state funds. The College purchases workers' compensation insurance for employees whose salaries or wages are paid by the Board entirely from county or institutional funds.

Additional details on the state-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

5. Other Insurance Held by the College

The College purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance.

The College purchased malpractice insurance for students in medical related fields. Coverage is provided at $1,000,000 per occurrence up to $5,000,000 annual aggregate.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

The College has established an encumbrance system to track its outstanding commitments on construction projects. Outstanding commitments on construction contracts were $1,877,338.62 at June 30, 2020.

NOTE 16 - THE CORONAVIRUS PANDEMIC EMERGENCY

In response to the coronavirus pandemic emergency, actions were taken by the College in March 2020 to reduce the spread of the coronavirus disease (COVID-19) and to provide for the health and safety of students, faculty, and staff.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. The CARES Act included various relief and recovery aid programs to address COVID-19 expenses and the costs incurred and revenue lost due to the actions taken to reduce the spread of COVID-19. For the College, these programs included the Coronavirus Relief Fund (CRF) administered by the U.S. Department of Treasury and made available directly to state and local governments and the Higher Education Emergency Relief Fund (HEERF) administered by the U.S. Department of Education and made available directly to universities and colleges.

The CARES Act - CRF funds were appropriated by the State of North Carolina in House Bill 1043 to the Community College System Office (System Office) and allocated to the colleges to cover COVID-19 expenses. As of June 30, 2020, the $114,377.00 allocated to the College for Small Business Center Counseling, College Career Counselors and Academic Advisory, and Virtual Student Tutoring remained unspent. The CRF funds must be used to cover allowable costs that were incurred between March 1, 2020 and December 31, 2021.

The revenues from these programs are contingent upon meeting the terms and conditions of the programs and signed agreements with the funding agencies, are recognized when qualifying expenditures are incurred, funds are used for intended purposes, and other eligibility requirements are met, and are reported in the following revenue caption of the financial statements:

Federal Aid - COVID-19 - This caption includes funds received from the CARES Act, other than the CRF funds appropriated in House Bill 1043, as follows:

The HEERF funds provided include: (1) a student allocation to provide for emergency financial aid grants to students for expenses related to the disruption of campus operations due to COVID-19, (2) an institutional allocation to cover costs associated with significant changes to the delivery of instruction due to COVID-19 including the recovery of revenue lost due to those changes, and (3) an additional award to address needs directly related to COVID-19. The HEERF funds must be expended within one year of the grant award notification date.

Summary of Federal Aid - COVID-19 Revenue Activities for the Fiscal Year Ended June 30, 2020:

Program	Total Authorized Award	Earned Revenue	Unearned Revenue (1)
Federal Aid - COVID-19:			
HEERF - Student Allocation	$ 347,710.00	$ 219,283.09	$ 128,426.91
HEERF - Institutional Allocation (2)	347,709.00	3,101.44	344,607.56
HEERF - Additional Award	34,165.00	-	-
Total Federal Aid - COVID-19	N/A	$ 222,384.53	$ 473,034.47

(1) The Unearned Revenue Column represents funds that have been received as of June 30th for which incurred qualifying expenditures/uses of funds or other eligibility requirements for reporting as earned revenue have not yet been met including specified grantor/provider requirements.

(2) While the HEERF Institutional Portion is accounted for and recognized independently from the HEERF Student Portion, the CARES Act has a "Use of Funds" requirement that no less than 50% of the total HEERF Student and Institutional Portion funds must be used for emergency financial aid grants to students.

NOTE 17 - BLENDED COMPONENT UNIT

Condensed combining information for the College's blended component unit for the year ended June 30, 2020, is presented as follows:

Condensed Statement of Net Position
June 30, 2020

	College	BCCC Foundation, Inc.	Eliminations	Total
ASSETS				
Current Assets	$ 2,742,149.67	$ 325,705	$ (285,332)	$ 2,782,522.67
Capital Assets, Net	20,265,651.97	-	-	20,265,651.97
Other Noncurrent Assets	129,800.77	2,878,395	285,332	3,293,527.77
Total Assets	23,137,602.41	3,204,100	-	26,341,702.41
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,243,781.00	-	-	3,243,781.00
LIABILITIES				
Current Liabilities	2,137,052.74	8,202	-	2,145,254.74
Long-Term Liabilities	18,470,264.22	-	-	18,470,264.22
Total Liabilities	20,607,316.96	8,202	-	20,615,518.96
TOTAL DEFERRED INFLOWS OF RESOURCES	5,604,451.00	-	-	5,604,451.00
NET POSITION				
Net Investment in Capital Assets	19,388,802.58	-	-	19,388,802.58
Restricted - Nonexpendable	-	2,439,731	-	2,439,731.44
Restricted - Expendable	1,236,156.91	560,075	-	1,796,231.91
Unrestricted	(20,455,344.48)	196,092	-	(20,259,252.48)
Total Net Position	$ 169,615.01	$ 3,195,898	$ -	$ 3,365,513.45

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2020

	College	BCCC Foundation, Inc.	Eliminations	Total
OPERATING REVENUES				
Student Tuition and Fees, Net	$ 903,240.87	$ -	$ -	$ 903,240.87
Sales and Services	72,661.54	-	-	72,661.54
Contributions	-	227,759	(227,759)	-
Fundraising	-	6,353	(6,353)	-
Other Operating Revenues	428.88	-	-	428.88
Total Operating Revenues	976,331.29	234,112	(234,112)	976,331.29
OPERATING EXPENSES				
Operating Expenses	16,569,106.67	215,168	-	16,784,274.39
Depreciation	827,524.75	-	-	827,524.75
Total Operating Expenses	17,396,631.42	215,168	-	17,611,799.14
Operating Income (Loss)	(16,420,300.13)	18,944	(234,112)	(16,635,467.85)
NONOPERATING REVENUES (EXPENSES)				
State Aid	9,676,858.96	-	-	9,676,858.96
County Appropriations	2,697,118.00	-	-	2,697,118.00
Noncapital Contributions	3,617,663.93	-	234,112	3,851,775.93
Investment Loss	48,365.08	(120,099)	-	(71,733.92)
Other Nonoperating Expenses	(181,678.59)	108,568	-	(73,110.59)
Net Nonoperating Revenues (Expenses)	15,858,327.38	(11,531)	234,112	16,080,908.38
Capital Contributions	3,132,937.47	-	-	3,132,937.47
Additions to Endowments	-	215,747	-	215,746.78
Total Other Revenues	3,132,937.47	215,747	-	3,348,684.25
Increase in Net Position	2,570,964.72	223,160	-	2,794,124.78
NET POSITION				
Net Position, July 1, 2019 (as Restated)	(2,401,349.71)	2,972,738	-	571,388.67
Net Position, June 30, 2020	$ 169,615.01	$ 3,195,898	$ -	$ 3,365,513.45

Condensed Statement of Cash Flows
June 30, 2020

	College	BCCC Foundation, Inc.	Total
Net Cash Provided (Used) by Operating Activities	$ (16,035,694.82)	$ 60,442	$ (15,975,252.82)
Cash Provided by Noncapital Financing Activities	16,502,869.91	26,436	16,529,305.91
Net Cash Provided by Capital and Related Financing Activities	658,900.32	-	658,900.32
Net Cash Provided by Investing Activities	48,365.59	22,029	70,394.59
Net Increase in Cash and Cash Equivalents	1,174,441.00	108,907	1,283,348.00
Cash and Cash Equivalents, July 1, 2019	1,293,659.01	16,471	1,310,130.01
Cash and Cash Equivalents, June 30, 2020	$ 2,468,100.01	$ 125,378	$ 2,593,478.01

NOTE 18 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2020, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 89, Accounting for Interest Costs Incurred before the End of a Construction Period

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance

GASB Statement No. 89 establishes accounting requirement for interest costs incurred before the end of a construction period. Interest costs incurred before the end of a construction period are to be recognized as an expense in the period in which the costs are incurred for financial statements prepared using the economic resources measurement focus. Interest costs incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity. The requirements of this Statement have been applied prospectively.

GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for period beginning after June 15, 2018 and later.

NOTE 19 - NET POSITION RESTATEMENTS

As of July 1, 2019, net position as previously reported was restated as follows:

	Amount
July 1, 2019 Net Position as Previously Reported	$ 705,945.57
Restatements:	
Error in Accumulated Depreciation	(372,265.20)
Error in Recording of County Appropirations	237,708.30
July 1, 2019 Net Position as Restated	$ 571,388.67

REQUIRED SUPPLEMENTARY INFORMATION

Beaufort County Community College
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
*Last Seven Fiscal Years**

Exhibit B-1

Teachers' and State Employees' Retirement System	**2020**	**2019**	**2018**	**2017**
Proportionate Share Percentage of Collective Net Pension Liability	0.04879%	0.04772%	0.04934%	0.05359%
Proportionate Share of TSERS Collective Net Pension Liability	$ 5,058,038.00	$ 4,751,046.00	$ 3,914,853.00	$ 4,925,475.00
Covered Payroll	$ 7,295,285.59	$ 6,911,023.16	$ 7,143,105.46	$ 7,537,448.04
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	69.33%	68.75%	54.81%	65.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.56%	87.61%	89.51%	87.32%

	2016	**2015**	**2014**
Proportionate Share Percentage of Collective Net Pension Liability	0.04969%	0.05119%	0.04920%
Proportionate Share of TSERS Collective Net Pension Liability	$ 1,831,175.00	$ 600,162.31	$ 2,986,941.35
Covered Payroll	$ 7,529,191.63	$ 7,496,073.77	$ 7,483,093.55
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	24.32%	8.01%	39.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.64%	98.24%	90.60%

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* , as amended.

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Beaufort County Community College
Required Supplementary Information
Schedule of College Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Last Ten Fiscal Years — *Exhibit B-2*

Teachers' and State Employees' Retirement System	**2020**	**2019**	**2018**	**2017**	**2016**
Contractually Required Contribution	$ 944,860.54	$ 896,590.60	$ 745,008.00	$ 712,882.00	$ 689,676.50
Contributions in Relation to the Contractually Determined Contribution	944,860.54	896,590.60	745,008.00	712,882.00	689,676.50
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 7,284,969.49	$ 7,295,285.59	$ 6,911,023.16	$ 7,143,105.46	$ 7,537,448.04
Contributions as a Percentage of Covered Payroll	12.97%	12.29%	10.78%	9.98%	9.15%

	2015	**2014**	**2013**	**2012**	**2011**
Contractually Required Contribution	$ 688,921.03	$ 651,408.81	$ 623,341.69	$ 581,772.70	$ 383,285.73
Contributions in Relation to the Contractually Determined Contribution	688,921.03	651,408.81	623,341.69	581,772.70	383,285.73
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 7,529,191.63	$ 7,496,073.77	$ 7,483,093.55	$ 7,819,525.51	$ 7,774,558.41
Contributions as a Percentage of Covered Payroll	9.15%	8.69%	8.33%	7.44%	4.93%

Note: Changes in benefit terms, methods, and assumptions are presented in the Notes to Required Supplementary Information (RSI) schedule following the pension RSI tables.

Beaufort County Community College
Notes to Required Supplementary Information
Schedule of College Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
For the Fiscal Year Ended June 30, 2020

Changes of Benefit Terms:

Cost of Living Increase

Teachers' and State Employees'	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Retirement System	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	2.20%

Changes of Assumptions: In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent Experience Review examined each plan's experience during the period between January 1, 2010, and December 31, 2014. Based on the findings, the Board of Trustees of the Teachers' and State Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were reduced to more closely reflect actual experience. The discount rate for the Teachers' and State Employees' Retirement System was lowered from 7.25% to 7.20% for the December 31, 2016 valuation. For the December 31, 2017 valuation, the discount rate was lowered to 7.00%.

The Board of Trustees also adopted a new asset valuation method for the Teachers' and State Employees' Retirement System. For determining plan funding requirements, the plan now uses a five-year smoothing method with a reset of the actuarial value of assets to market value as of December 31, 2014.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina’s 2019 *Comprehensive Annual Financial Report* .

N/A - Not Applicable

Beaufort County Community College
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
*Last Four Fiscal Years**

Exhibit B-3

Retiree Health Benefit Fund	**2020**	**2019**	**2018**	**2017**
Proportionate Share Percentage of Collective Net OPEB Liability	0.04076%	0.04123%	0.04105%	0.04483%
Proportionate Share of Collective Net OPEB Liability	$ 12,895,501.00	$ 11,745,821.00	$ 13,460,453.00	$ 19,502,574.00
Covered Payroll	$ 7,295,285.59	$ 6,911,023.16	$ 7,143,105.46	$ 7,537,448.04
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	176.76%	169.96%	188.44%	258.74%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	4.40%	3.52%	2.41%
Disability Income Plan of North Carolina				
Proportionate Share Percentage of Collective Net OPEB Asset	0.04224%	0.04139%	0.04283%	0.04714%
Proportionate Share of Collective Net OPEB Asset	$ 18,227.00	$ 12,573.00	$ 26,178.00	$ 3,096.00
Covered Payroll	$ 7,295,285.59	$ 6,911,023.16	$ 7,143,105.46	$ 7,537,448.04
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.25%	0.18%	0.37%	0.04%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	113.00%	108.47%	116.23%	116.06%

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended.

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Beaufort County Community College
Required Supplementary Information
Schedule of College Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Ten Fiscal Years ***Exhibit B-4***

Retiree Health Benefit Fund	**2020**	**2019**	**2018**	**2017**	**2016**
Contractually Required Contribution	$ 471,337.53	$ 457,414.41	$ 418,116.90	$ 415,014.43	$ 422,097.09
Contributions in Relation to the Contractually Determined Contribution	471,337.53	457,414.41	418,116.90	415,014.43	422,097.09
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 7,284,969.49	$ 7,295,285.59	$ 6,911,023.16	$ 7,143,105.46	$ 7,537,448.04
Contributions as a Percentage of Covered Payroll	6.47%	6.27%	6.05%	5.81%	5.60%

	2015	**2014**	**2013**	**2012**	**2011**
Contractually Required Contribution	$ 413,352.62	$ 404,787.99	$ 396,603.96	$ 390,976.28	$ 380,953.36
Contributions in Relation to the Contractually Determined Contribution	413,352.62	404,787.99	396,603.96	390,976.28	380,953.36
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 7,529,191.63	$ 7,496,073.77	$ 7,483,093.55	$ 7,819,525.51	$ 7,774,558.41
Contributions as a Percentage of Covered Payroll	5.49%	5.40%	5.30%	5.00%	4.90%

Disability Income Plan of North Carolina	**2020**	**2019**	**2018**	**2017**	**2016**
Contractually Required Contribution	$ 7,284.97	$ 10,213.40	$ 9,675.00	$ 27,143.80	$ 30,903.54
Contributions in Relation to the Contractually Determined Contribution	7,284.97	10,213.40	9,675.00	27,143.80	30,903.54
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 7,284,969.49	$ 7,295,285.59	$ 6,911,023.16	$ 7,143,105.46	$ 7,537,448.04
Contributions as a Percentage of Covered Payroll	0.10%	0.14%	0.14%	0.38%	0.41%

	2015	**2014**	**2013**	**2012**	**2011**
Contractually Required Contribution	$ 30,869.69	$ 32,982.73	$ 32,925.61	$ 40,661.53	$ 40,427.70
Contributions in Relation to the Contractually Determined Contribution	30,869.69	32,982.73	32,925.61	40,661.53	40,427.70
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 7,529,191.63	$ 7,496,073.77	$ 7,483,093.55	$ 7,819,525.51	$ 7,774,558.41
Contributions as a Percentage of Covered Payroll	0.41%	0.44%	0.44%	0.52%	0.52%

Note: Changes in benefit terms, methods, and assumptions are presented in the Notes to Required Supplementary Information (RSI) schedule following the OPEB RSI tables.

Beaufort County Community College
Notes to Required Supplementary Information
Schedule of College Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
For the Fiscal Year Ended June 30, 2020

Changes of Benefit Terms: Effective January 1, 2016, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for three of four options of the Retiree Health Benefit Fund (RHBF). Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2017, benefit terms related to copays, coinsurance maximums, out-of-pocket maximums, and deductibles were changed for two of four options of the RHBF. Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2019, benefit terms related to copays, out-of-pockets maximums, and deductibles were changes for one of four options of the RHBF. Out of pocket maximums increased while certain specialist copays decreased related to option benefits.

Additionally, the December 31, 2017 Disability Income Plan of North Carolina (DIPNC) actuarial valuation includes a liability for the State's potential reimbursement of health insurance premiums paid by employers during the second six months of the short-term disability benefit period.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of College Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months following the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of College Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the DIPNC. See Note 13 for more information on the specific assumptions for each plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of Assumptions: In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2010, and December 31, 2014. Based on the findings, the Boards of Trustees of the Teachers' and State Employees' Retirement System and the State Health Plan adopted a number of new actuarial assumptions and methods for the RHBF and the DIPNC. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement and rates of termination from active employment were reduced to more closely reflect actual experience.

For the actuarial valuation measured as of June 30, 2019, the discount rate for the RHBF was updated to 3.5%. Disability rates were adjusted to the non-grandfathered assumptions used in the Teachers' and State Employees' Retirement System actuarial valuation to better align with the anticipated incidence of disability. Medical and prescription drug claims were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations amount RHBF plan options over the next four years. For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset for the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of disability.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2019 *Comprehensive Annual Financial Report*.

Independent Auditor's Report

STATE OF NORTH CAROLINA
Office of the State Auditor

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Beaufort County Community College
Washington, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Beaufort County Community College (College), a component unit of the State of North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 29, 2021. Our report includes a reference to other auditors who audited the financial statements of Beaufort County Community College Foundation, Inc., as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Beth A. Wood

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State Auditor

Raleigh, North Carolina

March 29, 2021

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This audit required 422 hours at an approximate cost of $43,888.